

Message Text

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UNCLAS SECTION 1 OF 3 MANILA 3692/1

USADB

PASS TREASURY FOR SHERK

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SUBJ: AID ASSISTANCE EXPERIENCE REVIEW

REF: TREASURY 78-27

1. ADB WAS PROVIDED STATISTICAL AND OTHER EVIDENCE TO
SUPPORT ITS LISTING OF PROJECTS DESIGNED TO REACH THE POOR.
BANK'S EARLY PROJECTS WERE NOT GENERALLY DESIGNED TO TARGET
DIRECTLY ON POOREST SEGMENTS OF SOCIETY. SITUATION IS
CHANGING WITH RESPECT TO PROJECT BENEFICIARIES, AND THE BANK
HAS PROVIDED INFORMATION ON FIVE PROJECTS THAT WE BELIEVE
APPROPRIATE FOR USE IN FORTHCOMING CONGRESSIONAL TESTIMONY.

2. COTABATO IRRIGATION (PHILIPPINES)

THE PROJECT INCLUDES THREE IRRIGATION SYSTEMS IN THE
COTABATO PROVINCE THAT WERE FINANCED IN 1969 UNDER A 2.5
MILLION ADB LOAN. AREA COVERED BY THE PROJECT IS 7,430 HA.
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THE PROJECT AIMS AT INCREASING THE PRODUCTION OF PADDY FROM
7,600 TONS A YEAR TO 43,400 TONS A YEAR WITHIN A PERIOD
OF FIVE YEARS. OF ABOUT 2,000 FAMILIES RESIDING ON
7,430 HECTARES IN THE PROJECT AREA, ABOUT 1,500 FARM
FAMILIES HAD FAMILY INCOMES LOWER THAN \$120 PER ANNUM
BEFORE THE PROJECT WAS IMPLEMENTED IN 1969. AS A RESULT
OF THE PROJECT, THE AVERAGE FAMILY INCOME OF THIS LATTER

GROUP INCREASED TO ABOUT \$336 PER ANNUM.

NO DATA ARE AVAILABLE REGARDING THE FREQUENCY OF VISITS TO FARMERS BY EXTENSION WORKERS. HOWEVER, THE TOTAL NUMBER OF EXTENSION WORKERS IN THE PROJECT AREA HAS INCREASED FROM 30 PERSONS IN 1972 TO 73 PERSONS IN 1976.

THE PROJECT AREA WAS REMOTE AND GENERALLY UNDEVELOPED BEFORE THE PROJECT WAS IMPLEMENTED. IN 1975, THE NUMBER OF FAMILIES INCREASED FROM 2,000 IN 1969 TO 4,700 FAMILIES. THE INCREASE IN FARM FAMILIES IS ATTRIBUTABLE LARGELY TO THE COTABATO IRRIGATION PROJECT, WHICH HAS ATTRACTED IMMIGRATION FROM THE VISAYAN BY PROVIDING IRRIGATION WATER AND AGRICULTURAL SUPPORTING SERVICES, AND TO THE PRESENCE OF OTHER INFRASTRUCTURAL FACILITIES SUCH AS THOSE PROVIDED BY THE BANK-FINANCED COTABATO-GENERAL SANTOS HIGHWAY. THIS HIGHWAY PROJECT IS HIGHLY COMPLEMENTARY TO THE IRRIGATION PROJECT AS IT MEETS THE NEEDS OF THE AREA FOR TRANSPORTATION AND MARKETING OF BOTH INPUT SUPPLY AND FARM PRODUCE, AND HAS PROMOTED OTHER SOCIO-ECONOMIC ACTIVITIES. THERE IS HOWEVER NO SIGNIFICANT AND DIRECT COMPLEMENTARY EFFORT FROM ADB-ASSISTED POWER DEVELOPMENT PROJECTS IN ADJOINING AREAS SINCE THE MINIMAL POWER DEMAND IN THE AREA IS BEING SUPPLIED PARTLY BY A MINI POWER PLANT IN THE MARBEL

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SYSTEM (WHICH IS A COMPONENT OF THE COTABATO IRRIGATION PROJECT) AND PARTLY BY OTHER COMMERCIAL SOURCES.

3. COMPLEMENTARITY BY BANK-FINANCED COTABATO-GENERAL

----- SANTOS ROAD PROJECT (PHILIPPINES) -----

THE MAJORITY OF THE ROAD PROJECTS FINANCED BY ADB AIM PRIMARILY AT PROVIDING IMPROVED ACCESS BETWEEN RURAL AREAS AND MARKET OUTLETS IN URBAN CENTERS, THUS CONTRIBUTING TO THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE AREAS CONCERNED. SOME OF THE PROJECTS ALSO FACILITATE OPENING UP OF NEW AREAS AND COMPLEMENT IRRIGATION AND OTHER LAND DEVELOPMENT EFFORTS. THE MINDANAO RIVER BASIN IN THE PHILIPPINES, WHICH HAS HIGH ECONOMIC POTENTIAL, PROVIDES AN EXAMPLE OF INTEGRATED AREA DEVELOPMENT. TWO IMPORTANT INFRASTRUCTURE DEVELOPMENT PROJECTS, THE COTABATO IRRIGATION PROJECT AND COTABATO PORT DEVELOPMENT PROJECT (THE LATTER FINANCED BY ADB WITH A \$6.6 MILLION LOAN), ARE COMPLEMENTED BY THE \$10.6 MILLION BANK-FINANCED COTABATO-GENERAL SANTOS ROAD PROJECT A 209 KM. ROAD BETWEEN THE PORT TOWNS OF COTABATO AND GENERAL SANTOS.

THE ROAD FORMS PART OF THE GOVERNMENT'S LONG-TERM PLAN TO PROVIDE AN IMPROVED ROAD NETWORK IN THE RICH AGRICULTURAL AREAS OF MINDANAO, THE LACK OF WHICH IS CONSIDERED ONE OF THE MAIN REASONS FOR ITS UNDERDEVELOPMENT. THE PROJECT ROAD SERVES A MAJOR AGRICULTURAL AREA OF MINDANAO WHICH ACCOUNTS FOR APPROXIMATELY 60 TO 70 PERCENT OF THE ISLAND'S CORN AND RICE PRODUCTION AND FOR A LARGE PROPORTION OF ITS LOG EXPORTS. IT IS DESIGNED TO IMPROVE THE LEVEL OF ACCESS AND TRANSPORT FACILITIES IN THE AREA, BY FACILITATING THE EXPORT OF INCREASING PRODUCTION OF AGRICULTURAL COMMODITIES THROUGH THE TWO MAIN SEAPORTS WHICH IT CONNECTS. THE ROAD WILL THUS HELP EXPAND THE MARKETS, FACILITATE THE PROVISION OF AGRICULTURAL INPUTS AND EXTENSION SERVICES, STIMULATE

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PRODUCTION AND PROCESSING OF AGRICULTURAL PRODUCTS, INCREASE EMPLOYMENT OPPORTUNITIES IN THE AREA AND PROMOTE THE DEVELOPMENT OF TOURISM AND OTHER SERVICES.

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THE AREA UNDER THE COTABATO IRRIGATION PROJECT, ESTIMATED AT 7,400 HECTARES OF IRRIGATED LAND WITH ABOUT 4,700 FARM HOUSEHOLDS, IS RECEIVING MAJOR COMPLEMENTARY BENEFITS FROM THE ROAD PROJECT. THE MOST IMPORTANT BENEFIT IS THE TRANSPORT FACILITY FOR THE EXPORT OF AGRICULTURAL SURPLUSES PRODUCED IN THE AREA. ACCORDING

TO THE POST-EVALUATION REPORT ON THE COTABATO IRRIGATION PROJECT, PRODUCTION IN THE AREA INCREASED CONSIDERABLY DUE TO MULTIPLE CROPPING UNDER THE PROJECT; THE SURPLUS PADDY AND CORN OUTPUT IN SOUTH COTABATO WAS ESTIMATED AT 475,000 TONS IN 1973/74 AND 540,000 TONS IN 1974/75. PADDY AND CORN ARE COLLECTED FROM FARMERS LARGELY BY THE TWO FARMER COOPERATIVE ASSOCIATIONS OPERATING IN THE AREA, WHICH USE TRUCKS FOR PICKING UP GRAIN SACKS FROM WHEREEVER THEY CAN BE REACHED BY TRUCKABLE ROADS AND DELIVER THE MERCHANDISE TO THE NATIONAL GRAINS AUTHORITY (NGA). SOME GRAIN IS ALSO COLLECTED BY COMMERCIAL TRADERS WHO SELL TO WHOLESALERS OR MILLS. MOST PADDY/RICE AND CORN IS GENERALLY SENT BY TRUCK ALONG THE COTABATO-GENERAL SANTOS ROAD FROM KORONADAL AREAS TO GENERAL SANTOS CITY (MAKAR PORT), AND THEN SHIPPED TO CEBU, ILOILO AND MANILA. ABOUT 70 PERCENT OF THE GOODS SHIPPED OUT OF THE MARKER PORT ARE SURPLUS RICE AND CORN PRODUCED IN SOUTH COTABATO.

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THE EVALUATION REPORT ALSO INDICATES THAT IMPORTANT BENEFITS ARE DERIVED FROM THE 110 KILOMETERS OF FARM ROADS CONSTRUCTED ALONG THE MAIN CANALS AND LATERALS. THE IMPROVED ACCESSIBILITY MADE POSSIBLE BY THESE ROADS FACILITATES PRODUCTION AND MARKETING AND HAS REDUCED THE GAP BETWEEN FARMGATE PRICE AND T N WHOLE-SALERS BUYING PRICE FOR PADDY. ACCORDING TO THE REPORT, FARMERS IN 1976 WERE RECEIVING P50 PER CAVAN OR ABOUT 90 PERCENT OF THE NGA OR MILL BUYING PRICE, WHILE THEY USED TO RECEIVE ONLY 60 TO 70 PERCENT OF SUCH PRICE BEFORE THE ROADS WERE CONSTRUCTED.

4. TAJUM IRRIGATIONPROJECT (INDONESIA)

A LOAN OF \$0.99 MILLION IN SPECIAL FUNDS WAS APPROVED FOR THE TAJUM IRRIGATION PROJECT IN 1969. THE PROJECT INCLUDES THE IRRIGATION OF 3,600 HA. OF RICE LAND, AND WAS EXPECTED TO INCREASE PRODUCTION BY 16,000 TONS OF MILLED RICE A YEAR.

AN ESTIMATED 7,200 FAMILIES RESIDED IN THE TAJUM PROJECT AREA IN 1969 CONSISTING OF 3,012 NET IRRIGABLE HA. MOST FAMILIES HAD A NET FARM FAMILY INCOME LOWER THAN \$30 EQUIVALENT PER ANNUM BEFORE THE PROJECT WAS IMPLEMENTED. ACCORDING TO AN EVALUATION COMPLETED IN 1974 AS A RESULT OF THE PROJECT, THE AVERAGE NET FAMILY INCOME OF THIS GROUP INCREASED TO AN ESTIMATED \$93 EQUIVALENT PER ANNUM IN 1972/73. THE AVERAGE NET

FARM FAMILY INCOME IN 1977/78 IS ESTIMATED AT MORE THAN
\$318 EQUIVALENT PER ANNUM.

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5. FISHERIES DEVELOPMENT PROJECT (BURMA)

IN 1974, THE BANK APPROVED A LOAN OF \$9.8 MILLION
FROM ITS SPECIAL FUND RESOURCES TO BURMA FOR FISHERIES
DEVELOPMENT TO FINANCE THE FOREIGN EXCHANGE COST OF
FISHING VESSELS FOR OPERATION IN OFFSHORE AND COASTAL
WATERS, DIESEL ENGINES, A REFRIGERATION COMPLEX,
LANDING PONTOONS, REFRIGERATED CONTAINERS, REPAIR
WORKSHOP, AUXILIARY EQUIPMENT AND CONSULTING SERVICES.
THE PROJECT HAS BEEN SUBSTANTIALLY IMPLEMENTED BY THE
PEOPLE'SPEARL AND FISHERY CORPORATION (PPFC), THE
EXECUTING AGENCY OF THE PROJECT. THE FUNDS FOR THE
PROJECT ARE EXPECTED TO BE COMPLETELY DISBURSED BY THE
END OF 1978.

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BEFORE THE PROJECT, THE CORPORATION EMPLOYED 862
PERSONS INCLUDING ABOUT 500 FISHERMEN AND FISHING CREW.
IN ADDITION, THE CORPORATION ALSO EMPLOYED ABOUT 250
FISHERMEN AS CASUAL WORKERS. AS A RESULT OF THE PROJECT AN
AN ADDITIONAL 1,200 FISHERMEN, LABORERS, CLERKS AND

OTHERS HAVE BEEN EMPLOYED ON A REGULAR BASIS TO OPERATE THE FISHING VESSELS AND OTHER FACILITIES PROVIDED. IN ADDITION, ABOUT 2,000 FISHERMEN AND LABORERS ARE EMPLOYED AS CASUAL WORKERS, ON PIECE RATE BASIS.

BEFORE THE PROJECT, THE AVERAGE INCOME OF FISHERMEN AND WORKERS EMPLOYED BY THE CORPORATION WAS ABOUT KYAT 150 PER MONTH (ABOUT US\$20/MONTH) AND THE AVERAGE MONTHLY INCOME OF THE SKIPPER WAS ABOUT KYAT 700 (US\$100).

UNDER AN INCENTIVE SCHEME BASED ON CATCH SHARE SYSTEM SUGGESTED BY THE BANK AT THE TIME OF APPRAISAL OF THE PROJECT AND IMPLEMENTED BY THE CORPORATION, THE INCOME OF THE FISHERMEN INCREASED TO ABOUT KYAT 700 (US\$100) AND THAT OF THE SKIPPERS TO KYAT 3,000 (ABOUT US\$450). THE SEA ALLOWANCE INCREASED FROM KYAT 2 TO KYAT 6 PER DAY. IN ADDITION, INCENTIVES IN THE FORM OF MEDICAL FACILITIES AND TROPHY AWARDS TO VARIOUS TRAWLERS AND OPPORTUNITY FOR SKIPPERS, ENGINEERS AND FISHERMEN UNCLASSIFIED

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FOR TRAINING ABROAD WERE OFFERED. INCOME OF OTHER DIVISIONS' STAFF WHO SUPPORT THE OPERATION OF THE PRODUCTION DIVISION HAVE INCREASED BY ABOUT 50 PERCENT PER MONTH, FROM A MINIMUM OF KYAT 100 TO 650 (\$15 TO 90 DEPENDING UPON THE SALARY STRUCTURE).

THIS MAJOR CHANGE IN TERMS OF INCREASED INCOME WAS DUE TO THE FOLLOWING: PPFC TOTAL FISH PRODUCTION INCREASED BY 300 PERCENT COMBINED WITH STRICT ENFORCEMENT OF AN INCENTIVE SCHEME BASED ON CATCH-SHARE SYSTEM. THIS PERMITTED A SUBSTANTIAL INCREASE IN THE TOTAL INCOME OF THE CORPORATION AS WELL AS INCREASED EXPORT EARNINGS.

DUE TO THE SUBSTANTIAL INCREASE IN PRODUCTION IN RECENT YEARS, LOW INCOME CONSUMERS HAVE ALSO BENEFITED AS THE PRICE OF FISH, ON AN AVERAGE, HAS DECLINED BY ABOUT 20 PERCENT SINCE THE PROJECT WAS IMPLEMENTED.

6. AGRICULTURAL CREDIT (NEPAL)

THE BANK APPROVED A LOAN OF \$2.5 MILLION IN SPECIAL FUNDS FOR AGRICULTURAL CREDIT IN NEPAL IN 1970. THE LOAN FINANCED THE PURCHASE OF TRACTORS, FARM IMPLEMENTS, IRRIGATION PUMPS AND SPARE PARTS. INTEREST RATES ON SUB-LOAN TO FARMERS TO PURCHASE EQUIPMENT RANGED FROM 4 PERCENT TO 14 PERCENT PER ANNUM DEPENDING ON THE TYPE OF LOAN AND GENERALLY DID NOT EXTEND IN EXCESS

OF 80 PERCENT OF THE COST OF THE COMMODITY. A MINIMUM
SECURITY MARGIN OF 30 PERCENT WAS REQUIRED BY COLLATERAL.

WHILE FARMERS WHO RECEIVED CREDIT WERE CLASSIFIED
AS POOR IN TERMS OF CASH INCOME, THEIR FARMING UNITS
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VARIED IN SIZE BETWEEN 4 AND 25 HECTARES. THE SIZE OF
HOLDINGS FOR ANY MECHANIZATION PROJECT IS IMPORTANT IN
JUSTIFYING THE USE OF CAPITAL INPUTS.

THE MECHIZATION OF FARMS BROUGHT ABOUT SEVERAL
DRAMATIC CHANGES TO THE AREA'S CROPPING PATTERN.
FERTILIZER CONSUMPTION, FOR EXAMPLE, MORE
THAN DOUBLED THUS SURPASSING THE NATIONAL AVERAGE.
SECONDLY, PADDY LAND CULTIVATION INCREASED SLIGHTLY;
HOWEVER, AREAS CULTIVATED FACILITATED INCREASED ACREAGE
UNDER HYVS OF WHEAT, A MORE STABLE AND REMUNERATIVE
CROP FOR THE AREA.

WHILE TRADITIONAL FARMS REQUIRED 149 MAN-DAYS PER
HECTARE PER YEAR, MECHANIZATION BY BOTH TRACTORS AND
PUMPS INCREASED LABOR REQUIREMENT TO 182 MAN-DAYS. THIS
IS ACCOUNTED FOR BY THE INTENSIFICATION OF CROPPING AND
DIVERSIFICATION OF OPERATIONS. THE ADDITIONAL
EMPLOYMENT GENERATED BY THE PROJECT IS ABOUT 800,000
MAN-DAYS PER ANNUM, REPRESENTING AN INCREASE OF ABOUT
25 PERCENT OF EMPLOYMENT BASED ON METHODS USED PRIOR
TO THE PROJECT.
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